

**CITY OF MORGAN HILL  
JOINT REGULAR REDEVELOPMENT  
AND SPECIAL CITY COUNCIL MEETING  
MINUTES – MARCH 23, 2005**

**CALL TO ORDER**

Chairman/Mayor Kennedy called the special meeting to order at 7:05 p.m.

**ROLL CALL ATTENDANCE**

Present: Agency/Council Members Carr, Grzan, Sellers, and Chairperson/Mayor Kennedy  
Absent: Agency/Council Member Tate (6825 E. 4<sup>th</sup> Street, Scottsdale, AZ remote participation for  
Closed Session only: 9:05 p.m. – 10:45 p.m.)

**DECLARATION OF POSTING OF AGENDA**

Agency Secretary/City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

**SILENT INVOCATION**

**PLEDGE OF ALLEGIANCE**

Chairman/Mayor Kennedy led the Pledge of Allegiance.

**PROCLAMATIONS**

Mayor Kennedy presented Veronica Navarro, Project Sentinel, with a proclamation declaring April as *Fair Housing Month*.

**CITY COUNCIL REPORT**

None.

**PUBLIC COMMENT**

Chairman/Mayor Kennedy opened the floor to public comments for items not appearing on this evening's agenda. No comments were offered.

***Redevelopment Agency Action***

**CONSENT CALENDAR:**

**Action:** On a motion by Agency Member Carr and seconded by Agency Member Sellers, the Agency Board, on a 4-0 vote with Vice-chairman Tate absent, **Approved** Consent Calendar Item 1, as follows:

1. **FEBRUARY 2005 REDEVELOPMENT AGENCY FINANCE & INVESTMENT REPORT1**  
*Action: Accepted and Filed Report.*

## ***City Council Action***

### **CONSENT CALENDAR:**

- Action:** On a motion by Council Member Carr and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Pro Tempore Tate absent, Approved Consent Calendar Items 2-8 as follows:*
2. **FEBRUARY 2005 CITY FINANCE & INVESTMENT REPORT**  
*Action: Accepted and Filed Report.*
  3. **AWARD BUTTERFIELD BOULEVARD-SAN PEDRO AVENUE SEWER TRUNK PROJECT**  
*Action: 1) Awarded Contract to McGuire and Hester for the Construction of the Butterfield Boulevard/San Pedro Avenue Sewer Trunk Project in the Amount of \$303,190, Subject to Review and Approval by the City Attorney; 2) Authorized the Expenditure of Construction Contingency Funds, Not to Exceed \$30,319; and 3) Appropriated \$133,500 From the Un-Appropriated Sewer Capital Expenditure Fund (AB1600).*
  4. **WILDLIFE EDUCATION AND INTERPRETATION AREA DESIGNATION**  
*Action: Adopted Resolution 5896, Designating a Wildlife Education and Interpretation Area.*
  5. **TRAILS GRANT PROPOSALS AUTHORIZATION**  
*Action: Adopted Resolution No. 5897, Authorizing the Filing of Three Separate Applications for Local Assistance Funds from the Trails and Open Space Grant Program Under the Clean, Safe Creeks and Natural Flood Protection Program of 2000.*
  6. **CONTRACT FOR WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR**  
*Action: Authorized the City Manager to Execute a Consultant Services Agreement for Third Party Administration of Worker's Compensation at a Cost Not to Exceed \$48,000 Annually, and \$68,000 Over the Term of the Agreement; Subject to Review and Approval by the City Attorney.*
  7. **RESOLUTION SUPPORTING RETENTION OF COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**  
*Action: 1) Adopted Resolution No. 5898, Requesting that Congress Retain the CDBG Program as a Separate and Distinct Program with Fiscal Year 2006 Funding at the Same Levels as in Fiscal Year 2005, Including Using the Current System of Allocations.; and 2) Directed Staff to Send the Resolution to Both of California's United States Senators, Morgan Hill's Congressional Representative and the League of California Cities.*

8. **PUBLIC-PRIVATE PARTNERSHIP OF THE OUTDOOR SPORTS COMPLEX REQUEST FOR PROPOSALS SUBMITTAL**  
*Action: Confirmed Evaluative Process with the Sole Applicant.*

### ***City Council Action***

#### **PUBLIC HEARINGS:**

9. **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ANNUAL ALLOCATION (FISCAL YEAR 2005-2006) – Resolution No. 5899**

Director of Business Assistance and Housing Services Toy presented the staff report; identifying staff's recommended CDBG Fiscal Year 2005-2006 allocations. He informed the Council that the non CDBG funds will be allocated as part of the budget approval process.

Mayor Kennedy opened the public hearing.

Cecelia Clark, Community Solutions, acknowledged and thanked the Council and staff for its continued support of the El Toro Youth Center and La Isla Pacifica, the confidential battered women and children's shelter in South County. She indicated that Lori Escobar, the Director of the El Toro Youth Center, wanted to be in attendance this evening to share some of the exciting things taking place at the Youth Center such as the new computer lab and technology program, but was ill.

Ann Marquart, Executive Director of Project Sentinel, thanked the Council for providing past and present financial support and for applying pressure a number of years ago to have them balance services and their budget with surrounding jurisdictions. This pressure has helped to save services in South County. She indicated that Project Sentinel continues to provide tenant/landlord counseling and dispute resolution. She stated that the needs for services continue to be maintained and grow. In response to increased services, they have increased their proactive educational services to housing providers.

Cheryl Huguenor, Program Director for Live Oak Adult Day Services, thanked the Council for its ongoing support of the daycare center for the elderly. This is their 12<sup>th</sup> year, and remains the only adult daycare in South County. They continue to serve those who are dependent, frail and unable to care for themselves and allow family members to take a break from care giving.

Ragan Henninger, EHC Life Builders, addressed the Sobrato Transitional Housing Center, a new 140 bed shelter to be located in Gilroy; the Baccardo Family Living Center located in San Martin and the Winter Armory Program located in Gilroy. The programs will serve 65 Morgan Hill residents. She stated that she is thankful and grateful for the generous support of the Morgan Hill Community Foundation and for the 32 Morgan Hill residents who volunteer as well as the 143 donors.

Irene Lukefahr, representing Catholic Charities, spoke in support of Depot Commons. She addressed the successes of the parents residing in Depot Commons. She indicated that there have been and continue to be significant improvements/upgrades to the Depot Commons property.

Mary Clarke, representing the Long Term Care Ombudsman Program, indicated that the role of this organization is to advocate, investigate complaints, resolve problems, mediate, provide broker information, witness self care directives, and educate the public. She stated that the program includes a volunteer component, reporting that they have placed a volunteer within the City of Morgan Hill in the last half year.

No further comments being offered, the public hearing was closed.

Council Member Sellers said that this is always an opportunity that comes to the Council each year and that it is heartening to hear about the successes that have occurred in the last year. He felt that these are vital, fundamental services that are being provided by each of the agencies in the community. He said that it is always frustrating to go through this process as there is more to be done and that there are fewer resources available. He was pleased that the City was able to provide these resources in the community and do a small part to help out. He felt that it was appropriate to defer funding for the Dayworker Center until such time that staff comes on board. He said that CDBG funds, as meager as they are, are vital to this community and every community in the country. In the past few years, this funding source has been threatened by budget cuts or total elimination. He stated that he received assurances today from a staff member from Congressman Pombo's office that he would not support elimination of these funds. He indicated that the City would be monitoring to make sure that Congressman Pombo and other members in Congress continue to support funding these vital programs.

Council Member Grzan noted that these are annual expenditures. He inquired whether it would be possible to include a paragraph on how these dollars will be used. He would like to tie a description of each service and how they would be utilized.

Mr. Toy informed the Council that each contract includes a scope that is tied to objectives. Further, agencies need to report quarterly to staff on how they are meeting these objectives.

Mayor Kennedy thanked the agencies for their hard/good work they provide the community.

**Action:** *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Pro Tempore Tate absent, **Adopted** Resolution No. 5899, Appropriation of Fiscal Year 2005-2006 CDBG Funds.*

**Action:** *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Pro Tempore Tate absent, **Appropriated** the Carry-Over of Approximately \$12,773 from Fiscal Year 2004-2005.*

**Action:** *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Pro Tempore Tate absent, **Authorized** the City*

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*Manager to do Everything Necessary for the Implementation of the CDBG Program, Including Execution of all Required Contracts as laid out in the staff report, noting that funding for the Dayworker center is to be deferred until such time that staff member(s) come on board.*

City Manager Tewes noted that earlier this evening, under the Consent Calendar, the Council adopted a resolution requesting that Congress continue the CDBG Program as it is at risk. He stated that the President is proposing significant reductions and that the House and Senate have different proposals. With Council concurrence, staff will forward the Resolution to the City's Congress representatives and to the groups who have expressed their support this evening so that they can pass on the importance of their programs to the community and congressional representatives.

## ***City Council Action***

### **OTHER BUSINESS:**

#### **10. PROPOSED VALLEY TRANSPORTATION AUTHORITY (VTA) LONG-TERM TRANSIT CAPITAL INVESTMENT PROGRAM**

Deputy Director of Public Works Bjarke informed the Council that it would be receiving a presentation on the proposed VTA Long Term Transit Capital Investment Program. He indicated that his program is the transit component of the VTP 2030, the 30 year long range blue print for transportation spending in Santa Clara County. He indicated that there were VTA representatives who agreed to make this presentation to the Council and introduced Carolyn Gonot, Chris Augenstein, Bernice Alaniz, and Kat Mereigh. He informed the Council that VTA staff is looking for feedback and input from Council members.

Mayor Kennedy opened the floor to public comment.

Carolyn Gonot, Chief Development Officer with VTA, indicated that the presentation this evening would be a description of the Plan, the rationale behind the Long Term Transit Capital Investment program, the specific components, and a brief summary about the revenue/expenditure plan. She informed the Council that VTA staff is making presentations to each local jurisdictions and stakeholders in order to promote dialogue about the revenue and expenditure plans and encourage comments on this program to be sent directly to the VTA Board on behalf of each jurisdiction. She proceeded to present a power point presentation on the VTA Long Term Transit Capital Investment Program, identifying the 30-year plan to deliver the entire 2000 Measure A transit improvement program. She indicated that the total operating budget for VTA is \$350 million. She said that VTA is trying to cover current operations and build up its operating reserves. She indicated that the VTA Board has a policy of a 15% operating reserve. She stated that VTA is evenly matching its revenues and expenditures and that over the next two years, VTA will build up to the 15% operating reserves again. She addressed VTA's long term investment strategy (e.g., no new tax/revenue stream, look at a new permanent ¼ cent sales tax; and a permanent ½ cent sales tax with 75% of this sales tax going to VTA and 25% to cities for local transportation projects). She informed the Council that in December 2004, the VTA Board approved the

release of the Long Term Investment program and that in February 18, 2005, the draft document was released for public review. During the months of March through mid-April, VTA will receive feedback from each City and Town Councils as well as the Santa Clara County Board of Supervisors. On April 22, the VTA Board will conduct a workshop to discuss the two year budget as well as discussing this program. She stated that VTA staff will be collating all comments, positions and/or recommendations received from each city council. In mid May, the recommendations will be presented to each of the advisory and standing committees. It is anticipated that the VTA Board will consider the draft TCIP in June 2, 2005.

Mayor Kennedy thanked Ms. Gonot for her presentation. He indicated that he and Council Member Sellers serve on different VTA committees: Council Member Sellers serving on the Policy Advisory Committee and that he serves as an alternate Board Member on the VTA Board of Directors. He stated that he has a major concern with the Caltrain service to South County. He said that funding for Caltrain South County service does not begin in earnest until 2016, after fully funding BART. He noted that the additional trains that have been authorized do not include a reverse commute. He indicated that a reverse commute is something that local employers have been requesting for many years. He stated that a reverse commute was contained in the original Measure A wording. He felt that double tracking would allow for a reverse commute where the trackage rights agreement just received does not allow for a reverse commute.

Council Member Grzan inquired whether the build out of 80,000 new residents in Coyote Valley is addressed as part of this Plan.

Ms. Gonot said that a stop would be planned by Caltrain in Coyote Valley. She confirmed that what has been negotiated with Union Pacific is not a reverse commute. She said that this is an area that VTA staff would need to look at in the future. She indicated that there would be some improvements that would occur with the five additional round trips with some build out of the tracks.

Mayor Kennedy stated that it was his belief that the modeling traffic counts did not include the traffic counts that would be generated in Coyote Valley.

Ms. Gonot said that the current model for Coyote Valley has a lower level of land use than what the City of San Jose is currently looking at for this area.

Chris Augustine clarified that what is included in the plan is 5,000 jobs, minimal jobs in Coyote Valley. He stated that with the update of the VTP 2030 in a few years, anything that has been decided by the City of San Jose regarding Coyote Valley will be included in that work.

Council Member Grzan noted that the plan before the Council is requesting sales tax dollar; yet, there is a major component out there that could significantly alter what can be done or call for additional resources that VTA does not have. He did not know how the Council can approve a plan with such a major portion (Coyote Valley) not being included.

Ms. Gonot said that the City of San Jose is looking at an internal transportation system for Coyote Valley and that VTA would be serving regional needs. On the regional level, she agreed that VTA would need to pick up the cost and confirmed that the cost is not included in the Plan at this time for any new services that would be required for Coyote Valley.

Mayor Kennedy referred to Bart, the Silicon Valley Rapid Transportation Corridor project. He said that the Federal Transportation Administration is not recommending approval of additional funding for Bart. He inquired as to the funding sources for the \$1.6 billion addressed by VTA (page 12 of the report).

Ms. Gonot said that most of the \$1.6 billion in funding would come from two projects: Caltrain Electrification, and the Dumbarton Rail Corridor.

Mayor Kennedy said that he has heard that funding for the extension of Bart from Fremont to Milpitas would come from additional revenue for Bart to the airport extension. He did not believe that this funding exists.

Ms. Gonot said that Bart is still trying to fill the gap for the Warm Springs extension. This gap ranges from \$150-\$300 million. She indicated that the Metropolitan Transportation Commission (MTC) included funding in the Regional Transportation Plan and assumes some funding for it. However, she confirmed that there is a funding gap.

Mayor Kennedy felt that major cities who benefit from a subway or rapid transportation system should be partners in the funding of the project. He inquired whether the Cities of San Jose, Santa Clara or Milpitas are providing funding to support the Bart extension.

Ms. Gonot said that specific funding from these cities is not included in the plan. VTA staff is planning to take back to the VTA Board, as part of the budget, a recommendation to conduct a Bart economic analysis to see the benefits/values of Bart to cities.

Mayor Kennedy felt that there was a funding scenario on the table such that Bart would receive federal funding to extend it to Berryessa and that the next segment would be separately funded.

Ms. Gonot said that funding for the extension of Bart is not being recommended at this time because VTA staff is still working on a model. She said that it takes two years to review the Bart system. She said that a financial source has not been identified. She said that VTA staff has heard that it needs to lower its cost effectiveness ratings/cost per new rider; and lowering the level of federal participation. She said that VTA is looking at \$973 million and that the federal government felt that this was too high. VTA has made a proposal back to the FTA, requesting federal participation only for the segment to Berryessa and that the segment south of Berryessa would be completed with local funding.

Mayor Kennedy felt that the City of San Jose should have a much higher stake at paying for the cost of Bart service as they are a primary benefactor of this service. He referred to the Transit User Benefit Number. He stated that it was his understanding that there is a cut off of \$25 per new rider and that Bart is significantly higher than this. He inquired whether it would be feasible/possible to reduce the \$25 per

new rider cost. He felt that the original plan included more zero emission buses than this current proposal contains.

Ms. Gonot said that it could be possible to meet a \$25 per new rider at both ends of the extension. She indicated that VTA staff assumed that the entire fleet would move toward zero emission buses. She said that the cost for zero emission buses is approximately \$3 million per bus. It is the hope that the costs would go down and technology improved.

Mayor Kennedy suggested that Council members state general thoughts. He recommended that the Regional Planning and Transportation Committee help draft a letter based on Council input, forwarding this letter to the VTA Policy Advisory Committee who will be meeting on April 1. He felt that it was important that they see the Council's comment. He indicated that the full policy advisory committee will be meeting on April 14. He felt that it would be good to get the City's formal statements to the VTA Board's April 22 workshop.

Council Member Grzan felt that Mayor Kennedy raised good points, including the comments relating to reverse commute and when the dollars would be received to expand train services. Further, that it would be important to have those cities that would benefit most from these projects pay most into the plan. He felt that these were important points that need to be included in the letter. He also felt that the Coyote Valley issue is important, noting that it is not included in the Plan. He did not know how this would change the priorities in funding. Further, the City may not see projects completed due to the Coyote Valley project. He stated that he trusts the Committee to draft a letter to include Council comments.

Council Member Sellers felt that it was important that the City calls out the items that have specific relevance to South County. He said that approximately 80% of the City's workforce travel north. He felt that the Council needs to keep in mind that this may be the primary reason that buses and trains travel in one direction. He felt that it is desirable to balance the reverse commute; something that would be embraced by South County. He agreed that there is no way to plan for anything other than what has already been designated and firmly stated by the City of San Jose for Coyote Valley. He said that there is a concern that there would be a long term shift in funding to Coyote Valley. He felt that there were opportunities and that it is important for VTA to continue to think about these (e.g., light rail). He stated that there is discussion about long term planning being considered for the entire South County region, including what the big picture will look like. He noted that the service upgrades to Caltrain are to commence this year, slows down and then picks up in subsequent years. He further noted that electrification is not supposed to start until 2014. He inquired as to the South County service upgrades associated with Caltrain as he felt that there is a discrepancy in what has been indicated and what was discussed earlier.

Ms. Gonot stated that the Caltrain service upgrades would begin in 2005 and would continue through 2010. She said that there are some Measure A contributions and other contributions that would assist with the upgrades. VTA is looking at providing the improvements worked out with Union Pacific so that the five additional round trips can be accommodated. VTA staff would like to get this plan ready to see if some of the projects can move forward and seek other funds to match Measure A funds. She said that



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VTa staff would like to pull together all cities, along the Caltrain line, and develop a plan with Measure A funds. She indicated that VTA staff is proposing \$200,000 in funding to move forward with this plan.

Council Member Sellers recommended that the City's letter encourage the technical advisory effort be implemented as soon as possible.

Council Member Carr said that in looking at the budget spreadsheets, all of them assume a new 3/8 cent sales tax effective 2007. He inquired whether the VTA Board or staff performed scenarios without this sales tax.

Ms. Gonot said that the VTA Board has not directed staff to look at different percentages at this time. She said that this is a comment VTA staff has been receiving and that staff will recommend that the VTA Board look at different percentages in sales tax.

Mayor Kennedy said that he has been stating all along that it would be good to have Bart come to San Jose and Santa Clara; but not at the loss of significant projects. He felt that it was a good vision, a good system, and that it makes sense to extend Bart. However, he felt that there may be better ways to make this work. He inquired as to Council thoughts regarding the extension of Bart.

Council Member Sellers stated that Morgan Hill is a commuting community. He said that he tries to think regionally and felt that a variety of transportation modes would be used by the community, and that the popularity of the extension of Bart was a significant reason the measure passed. Not moving forward with Bart would be disingenuous to the voters.

Council Member Carr said that he sees the value of extending Bart and continues to be a supporter of it, but not at the expense of the services that South County needs. He would like to see what services would be provided without a new tax. Would no sales tax mean adjusting all other projects in order to complete one project? He stated that he would not support this scenario. It is his hope that the VTA Board would be open to taking a look at different suggestions that members have made about looking at different phasing approaches, paying for it in stages. He hopes that there will be flexibility, on the Board, to take a look at this and find a creative way to achieve the goal of bringing Bart into Silicon Valley.

Council Member Grzan felt that VTA would be in line with a lot of other agencies who will also be seeking sales tax from the voters. He felt that the public will be overwhelmed with a number of issues and that the cumulative affect could be a negative response from the public on any project. This would result in resources dwindling significantly. He is concerned that the Bart project would take the remaining resources and that Morgan Hill will not receive its fair share of funding to meet the community's needs. He too is concerned about the Bart extension and having it funded by Morgan Hill residents. He would like to see more participation by those cities that would benefit most from this as this is where funding should come from. Although there may be Morgan Hill residents who use Bart, he felt that there are other communities who would be greater users.

Mayor Kennedy said that the Board of Supervisors and Pete Kutas, the County's Chief Executive Officer, has brought forward a 1/2 cent sales tax that would include funding for VTA, the County, and

local government. This would be an all purpose sales tax. Although VTA may not get a majority of this funding, the other local jurisdictions and the County would get a portion of a ½ cent sales tax.

Council Member Sellers said that the ½ cent sales tax remains conceptual and is worth supporting. He felt that City staff and other South County representatives have done a great job in making sure that some of Morgan Hill's needs are met and that there were specific things in South County that were included. He felt that it would be important that the Council weighs in this evening in support of the ½ cent sales tax because there are specific funds for Morgan Hill and the region that are designated and would allow for the extension.

Mayor Kennedy said that the VTA's proposal would utilize funding for local transportation and road projects while the County's proposal for a ½ cent sales tax would be used as an all purpose tax. He said that the Silicon Valley Leadership Group is conducting a public poll and looking at different alternatives. He recommended that the City await the results of the poll before getting behind any tax measure.

City Manager Tewes said that Pete Kutras has been working at the direction of the Santa Clara County Board to develop options; indicating that the Board has not adopted any of the options. Mr. Kutras presented a series of options at a meeting of the Santa Clara County Cities Association that includes a ½ cent sales tax to be used for general purposes with a share of this to be allocated to cities to be used for their general purposes. He clarified that VTA's proposal is that funding returned to cities must be used for transportation purposes, while the County's proposal, the funds returned to cities can be used for any municipal purpose. In the County's proposal, VTA was to receive some funding, but that a specific proposal was not identified.

Mayor Kennedy recommended that the Council wait until it receives more information before supporting this proposal or any other proposal at this time.

Council Member Sellers stated that he would support Mayor Kennedy's recommendation, noting that the County has not presented a concrete proposal. He stated that he would support VTA's proposal in concept.

Mayor Kennedy said that it may turn out that there is only one proposal that ends up moving forward.

Council Member Sellers agreed to state that if there is a shortfall in funding that is needed to complete the projects that the region has outlined for long term transportation stability, there needs to be a way to bridge the gap.

Mayor Kennedy said that in general, he would agree that there is a funding shortfall and a gap that needs to be closed. However, he was not willing to support all of the funding going to VTA and no funding to cities and Counties; funding that gives latitude or freedom for use of funds.

**Action:** *It was the consensus of the City Council that the Regional Planning and Transportation Committee is to prepare a written response and forward it to VTA.*

## **11. LEASE WITH SOLARA ENERGY**

Council Member Sellers said that he had preliminary discussions with Solara about the possibility of working with them professional at some point in the future. Therefore, he would be recusing himself from participating on this item. He excused himself from the Council Chambers.

Director of Business Assistance and Housing Services Toy presented the staff report relating to a lease with Solara Energy for the space adjacent to the Police Station on Vineyard Boulevard and appropriates \$40,000 from bond proceeds to install public improvements. He addressed the general business terms associated with the lease agreement.

Mayor Kennedy disclosed that he met with Solara representatives and the Economic Development Committee. He indicated that there was some conversation about installing a solar energy system on the facility. He inquired whether this was a part of the agreement.

Mr. Toy said that at one point, staff spoke with Solara representatives about incorporating a solar energy system within the lease structure. It was determined that it would be better to separate the lease terms from purchasing solar energy equipment. If Solara representatives are interested in making a proposal to the City to provide solar power, the City would consider this as a normal purchasing requirement.

Mayor Kennedy recommended that City staff work with Solara to install a demo facility that could serve as a model/pilot for expanding the use of solar energy in the community.

Council Member Grzan inquired whether the lease was representative of a fair market rate.

Mr. Toy said that the lease term reflects the current market rate. He clarified that Solara would be proposing retail sales.

Mayor Kennedy opened the floor to public comment.

Chris Bryant, speaking on behalf of the Chamber of Commerce's Economic Development Committee, stated that there is focus for attracting businesses that deal in the alternate energy field. He noted that this is a perfect opportunity to support growth in this field by helping to get a manufacturer up and running in Morgan Hill. He noted that Solara started its business in Morgan Hill and that it is time to bring them back to Morgan Hill. He requested Council support of the lease as it would bring the right kind of business into Morgan Hill.

Peter Burcat said that the police facility would be a starting location for his business. He said that he is in the process of expanding into manufacturing and selling his product. This facility/location would have an area open to the public to view equipment and that the public would have the ability to purchase equipment on site. It is proposed to retain this facility for office space and look for a facility of 10,000+ square feet for further production in the future. He said that it would be his intention to discuss certain projects with the City, indicating that he has had discussions with City staff about the aquatics center.

He also had discussions with Mr. Toy about the police station to see if there is the ability of installing solar or other forms of renewable energy on city projects.

No further comments were offered.

Council Member Grzan inquired whether this type of manufacturing would be noisy or a use that would be incompatible with the police facility.

Mr. Toy said that it was his understanding that there may be some hand soldering, but would be quiet and would not be intrusive.

**Action:**        *On a motion by Council Member Grzan and seconded by Council Member Carr, the City Council, on a 3-0 vote with Council Member Sellers and Mayor Pro Tempore Tate absent, **Authorized** the City Manager to Negotiate, Prepare, Execute, and Implement a Five-Year Lease Agreement with Solara Energy to Lease the 6,080 Square Foot Space Adjacent to the Police Station at 16200 Vineyard Boulevard; Subject to the Terms Stated in the Staff Report.*

**Action:**        *On a motion by Council Member Grzan and seconded by Council Member Carr, the City Council, on a 3-0 vote with Council Member Sellers and Mayor Pro Tempore Tate absent, **Appropriated** \$40,000 From the Police Facility Bond Proceeds to Fund the City's Improvements Needed to Lease the space.*

Council Member Sellers resumed his seat on the Dias.

**12.    APPROVE PURCHASE AND INSTALLATION OF SECOND SLIDE FROM  
WHITEWATER WEST INDUSTRIES AND CALIFORNIA COMMERCIAL POOLS  
FOR AQUATICS CENTER**

City Manager Tewes informed the Council that it has been provided with a supplemental staff report that provides the result of some informal proposals.

Director of Public Works Ashcraft presented the staff report, indicating that the proposal before the Council is for the approval of a second slide at the aquatics center and that the Council determine that a competitive bid, upon notice, would not be likely to result in a lower price for the City from a responsible bidder, or would cause unnecessary expense or delay under the circumstances for the work to install the second slide at the aquatics center. Based upon the proposal, staff recommends the Council approve purchase orders to Whitewater West Industries in the amount of \$82,200 to install the second slide and to California Commercial Pools in the amount of \$39,450 for the associated pump, electrical and plumbing for the second slide at the aquatics center. It is staff's hope to have the slide installed before the peak season. He said that the contractor has stated that they can install the second slide by the Memorial Day weekend.

Council Member Grzan said that this particular item has a benefit as it has a return on investment of approximately \$40,000 in three years. He inquired how the rate of return would be measured.

Recreation and Community Services Manager Spier said that this was the credit given to a second slide by the Sports Management Group. She said that staff conducted an analysis on the economic impacts associated with a list of items costing approximately \$600,000 (e.g., parking lot, second slide, concession stands). She stated that a measurement would need to be based on returns (e.g., daily fees, attendance numbers).

Council Member Grzan expressed concern that assumptions were made that the City would be making a return of a certain amount of dollars over a period of time; but that the City has no way of knowing whether these projects will actually have a return on investment.

City Manager Tewes indicated that staff will continue to follow the Council's direction of operating the aquatics center on a break even basis. He felt that it would be appropriate for the Council to ask staff to return with revenues and usage, comparing the ratios next year with the current year. Staff would be able to replicate the estimates that the Sports Management Group was able to provide to the Council. He agreed that there is no way to precisely pin point the return on a particular element.

Council Member Grzan said that the proposal that was brought to the Council in February 2005 contained specific dollar amounts associated with each individual items contained on the list. Now, it is being stated that it is not known what the individual items would be bringing in, in terms of a certain amount of dollars. He did not believe that there was a direct correlation between the items presented in the February report. If the City is going to state that the second slide will be bringing in a certain amount of dollars, he felt that there needs to be a measurement tool that will determine whether it did or not bring in the identified rate of return.

Mayor Kennedy inquired whether the City shows an increase in net annual revenue in the amount of \$40,000, would this be an indication of a success on this investment.

Council Member Grzan stated that in February, staff returned with a list of items that would generate a certain amount of dollars. However, the City does not have a mechanism in place that would report back whether the individual item was responsible for increased revenue. If staff is making a proposal before the Council and stating that an item would generate a certain amount of dollars, he felt that the City needs to have a measurement system in place that would allow it to evaluate this over a period of time. If a measurement system is not in place, staff should state that overall, the items will bring in a certain amount of dollars.

Council Member Sellers felt that the numbers are credible and that they are predicated on the assumptions made by the Sports Management Group. He noted that the Sports Management Group clearly delineated specific components. When the Council conducted value engineering and eliminated the second slide, a question was raised as to what it would cost the City in terms of savings and revenues. He is encouraged by the fact that the Sports Management Group's estimates, on the revenue side, were fairly low. He noted that the aquatics center far exceeded the number of individuals who

would be using the facility in the first year. He felt that with enhancements, revenues would be increased. He also felt that there may be ways to quantitatively figure out the increased revenues. He said that this is part of delivering the entire facility that the Council promised the community. He felt that the aquatics center would balance out at the end of the year and that it was important to keep in mind that the City is providing a community service. Adding a second slide would enhance the City's ability to do so. He felt that the revenues presented by the Sports Management Group were conservative.

Council Member Grzan said that when the City value engineers items out only to return the item at a higher cost than what would have originally been paid, he did not believe that the Council did any value engineering at all. He expressed concern that if this is to be the practice the Council undertakes with the community center or other projects, thought needs to be given that the items value engineered out would return at a higher price. If this is the case, he would have preferred paying for the item upfront and save on the increased dollars that would result if added at a later date.

Council Member Sellers said that a year ago, the City did not know that the attendance numbers would triple from 600 a day to the 1,900 individuals who actually used the facility.

Mayor Kennedy opened the floor to public comment. No comments were offered.

**Action:**        *On a motion by Council Member Carr and seconded by Council Member Grzan, the City Council, on a 4-0 vote with Mayor Pro Tempore Tate absent, **Approved** staff's recommended action.*

**13.    REQUEST FOR SPONSORSHIP OF THE 26<sup>TH</sup> ANNUAL MORGAN HILL MUSHROOM MARDI GRAS EVENT**

Council Services & Records Manager Torrez informed the Council that a request has been made by Sunday Minnich for City sponsorship of the Mushroom Mardi Gras; specifically requesting \$10,000 to help with the costs associated with the 26<sup>th</sup> annual Mushroom Mardi Gras event to be held on May 28 and 29. She stated that there is \$11,164 remaining in the Community Promotions budget to fund the request, should the Council wish to sponsor the event. However, Independence Day Inc. will soon be approaching the Council for co-sponsorship of the Fourth of July festivities and that the organization has indicated that they would be requesting the \$11,164, if not more. She indicated that Ms. Minnich was in attendance and could expand on the staff presentation and respond to questions the Council may have.

Mayor Kennedy opened the floor to public comment.

Sunday Minnich indicated that this is the 26<sup>th</sup> Annual Morgan Hill Mushroom Mardi Gras event to be held on May 28 and May 29. She noted that the festival has been moved to the downtown due to extenuating circumstances at Community Park. She stated that a free festival would be provided to the community. In order to continue the educational scholarship program and to continue the fundraising/donations provided to non profit organizations in Morgan Hill, she stated that this festival needs additional support from the City and community members to assist with the costs associated with putting on the festival. She requested that the City partner with this event and show its support for the

educational funding; noting that the dollars received from the Mushroom Mardi Gras festival would go back into the community for the non profit organizations, schools and educational scholarships. She stated that any City assistance would be appreciated. As a partner, Mushroom Mardi Gras would be willing to provide the City with a large space in a high visible location where it can promote the many services that it provides.

No further comments were offered.

Council Member Grzan noted that the recommended action was somewhat cautious in terms of where the dollars are to come from. If the Council were to fund this event, few dollars would remain in the Community Promotions budget to fund the Fourth of July activities.

City Manager Tewes said that the event this particular fund anticipated was the Fourth of July event. He said that Independence Day Inc. (IDI) needs advance money that is used for the purchase of fire works and to pay for other expenses. If the City were to continue with this tradition, the Council would then need to appropriate additional funds over and above the funds from the Community Promotion budget from the General Fund reserves to pay for these activities. He said that once the Council deals with this issue, it would be appropriate to sit down with the various festival sponsors and the Downtown Association and develop common policies. He stated that there are at least four events held in the downtown, this would be the second event of the four that the City would help finance and that the other two tend to pay for themselves. The common policies would stipulate under what circumstances the City would offer sponsorship and appropriate public money for these festivals and under what circumstances the City would not.

Council Member Carr recommended that the Mushroom Mardi Gras organization present the Council a budget to determine the appropriate use of taxpayer dollars.

Ms. Minnich indicated that she did not provide a budget to City staff. She stated that the expense budget is approximately \$110,000. It is Mushroom Mardi Gras' goal to provide approximately \$20,000 in scholarship funding. This event usually gives out \$10,000 in donations to non profit clubs and organizations that provide services during the event. This event provides complimentary space to non profit organizations for their fundraising efforts.

Council Member Sellers stated that a decision would be easy if the resources were available. He recommended that the Council consider who needs funds and how best to allocate these funds similarly to how the Council awarded CDBG funds. He stated that he was not prepared to make a decision until he hears back from IDI. He suggested that staff return with a recommendation that may provide funding for both festivities.

**Action:** *On a motion by Council Member Sellers and seconded by Council Member Grzan, the City Council, on a 4-0 vote with Mayor Pro Tempore Tate absent, **Requested** that staff work with IDI and determine their needs; returning with options for providing resources as appropriate, for IDI and Mushroom Mardi Gras by mid April.*

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**14. 9<sup>TH</sup> ANNUAL SACRAMENTO ADVOCACY TRIP**

Council Services & Records Manager Torrez informed the Council that the 9<sup>th</sup> annual Sacramento Advocacy Trip coordinated by the Silicon Valley Leadership Group is scheduled to take place on Wednesday and Thursday, April 27 and April 28. This annual trip is attended by public officials and private sector representatives who plan to meet with legislators to address regional issues. Staff would like to ascertain whether a majority of the Council members are planning to attend this trip and if so, whether the Council would like to adjust its April 27 meeting schedule.

Council Member Carr indicated that he has plans to travel to Sacramento on Thursday, April 28. However, should the Council meeting be canceled, he would attend both days.

Council Member Sellers recommended that the Council not plan on meeting on April 27 unless staff anticipates that there will be a significant increase in items coming up in April.

Mayor Kennedy noted that the Finance Committee is scheduled to meet on April 27. Should the Council/Redevelopment Agency agree to cancel the April 27 meeting, the Finance Committee may need to be rescheduled as well.

**Action:** *It was the consensus of the Council to Cancel the April 27, 2005 meeting.*

***City Council Action***

**CONSENT CALENDAR:**

**Action:** *On a motion by Council Member Carr and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Pro Tempore Tate absent, Approved Consent Calendar Item 15 as follows:*

**15. CLOR-TEC CHLORINE GENERATION SYSTEM SOLE SOURCE REQUEST FOR AQUATICS CENTER CAPITAL IMPROVEMENT PURCHASE AND INSTALLATION**

**Action:** *Approved Staff's Request to Sole Source the Purchase of a Chlorine Generation System from Severn Trent Services as a Recommended Item from the Capital Improvement List for the Aquatics Center.*

**FUTURE COUNCIL-INITIATED AGENDA ITEMS**

No items were identified.

***Redevelopment Agency and City Council Action***

**CLOSED SESSIONS:**



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City Attorney/Agency Counsel Leichter announced the below listed closed session items:

**1.**

**CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Authority:	Government Code Sections 54956.9(b) & (c)
Number of Potential Cases:	4

Vice-chairman/Mayor Pro Tempore Tate joined the Council for the closed session portion of the meeting from Arizona.

**OPPORTUNITY FOR PUBLIC COMMENT**

Chairman/Mayor Kennedy opened the Closed Session items to public comment. No comments were offered.

Vice-chairman/Mayor Pro Tempore Tate opened the Closed Session items to public comments. No comments were offered.

**ADJOURN TO CLOSED SESSION**

Chairman/Mayor Kennedy adjourned the meeting to Closed Session at 9:03 p.m.

**RECONVENE**

Chairman/Mayor Kennedy reconvened the meeting at 10:45 p.m.

**CLOSED SESSION ANNOUNCEMENT**

Chairman/Mayor Kennedy announced that no reportable action was taken in closed session.

**ADJOURNMENT**

There being no further business, Chairman/Mayor Kennedy adjourned the meeting at 10:46 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, AGENCY SECRETARY/CITY CLERK**